



TESTIMONY OF GILBERT R. VASQUEZ

BEFORE THE

U.S. DEPARTMENT OF THE TREASURY

ADVISORY COMMITTEE ON THE AUDIT PROFESSION

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LOS ANGELES, CALIFORNIA

Chairman Levitt, Chairman Nicolaisen, Members of the Advisory Committee, Ladies and Gentlemen:

My name is Gilbert Vasquez, the managing partner of Vasquez & Company LLP, a CPA firm based in Los Angeles, California. I started in 1967 and our firm has about 50 employees. The firm specializes in audit services for nonprofit organizations, local governments, private held and publicly traded companies.

I would like to thank you for giving me the opportunity to express my views regarding the role of minorities and specifically Latinos' participation in the audit profession.

Traditionally, first-generation immigrants or first-generation college graduates used accounting as a bridge to get their foot in the "professional" business world. But this was not the case with the second wave of immigrants. Over the years, an analysis would

show that the accounting profession has denied itself the opportunity to grow its human capital.

When I began my career in the accounting profession, minorities were a non-issue—that is to say, there were no hiring opportunities. It was not an issue to be discussed or addressed in any way, thus, minorities were not represented when I started in the audit profession.

After I founded our accounting firm and while serving on the AICPA Committee on Minority Recruitment and Equal Opportunity, it became apparent to me that of the approximately 1,500 committee appointees, I might be the only Latino serving on an AICPA Committee. This served as one of the major inputs for the creation and formation of a Latino accounting organization dedicated to Latinos. I founded the Association of Spanish Speaking CPAs which is now known as the Association of Latino Professionals in Finance and Accounting (ALPFA). ALPFA has about 7,000 members with 30 professional chapters and 20 student chapters throughout major cities and college campus in the U.S. ALPFA appoints one member to the Auditing Standards Board of the American Institute of CPAs. I continue to be an advisor to ALPFA as a member of their Corporate Advisory Board. I was also past president of the California Board of Accountancy.

What Statistics Show

Los Angeles County is the largest county with a population of 10 million and home to the largest population of Latinos at 4.7 million. It is represented by the large national and international accounting firms including the Big Four. The Top 10 accounting firms employ approximately 7,000 employees. Fewer than 10 Latinos are partners within these firms. Perhaps this is why, on a national base, Latinos only occupy 3% of the accounting positions in our profession today. African Americans are only at 1% while Asian/Pacific Islanders are currently at 4%. Progress, yes. Is this an acceptable level of attainment? No!

Los Angeles County has the largest concentration of Latinos in the U.S. With less than 10 partners in these firms, no one should be surprised that our human capital feels a sense of disassociation and thus lack of opportunity for Latinos and other minorities.

It is well known that the statistics regarding Latinos are poor in the areas of recruitment, development and retention in the accounting profession. Latinos are the largest minority, the fastest growing minority and the least educated minority group. This poses significant challenges and opportunities to the accounting profession. I will try to share some of my observations and solutions to the problems.

Identification and Recruitment of Latinos

The Issues:

- Lack of a pool of Hispanic candidates entering the accounting profession
- Lack of knowledge about the opportunities the accounting profession has to offer
- Lack of programs directed at attracting Latinos into the profession
- Lack of Hispanic Mentors and Role Models in the Accounting profession

The Solutions:

- We must try reaching Latinos much earlier than when they enter college.
- Financial literacy programs which include highlighting the accounting professions must be developed and executed in Hispanic neighborhoods and schools.
- Companies must either develop or team up with existing high school programs such as ASPIRA, Hispanic Symposium and Junior Achievement in order to promote the profession and also to encourage Latinos to graduate from high schools and continue on to college. In some schools, the high school drop out rate is as high as 50%.
- Scholarship programs must be enhanced with the focus on students studying business. The Hispanic College Fund and the Hispanic Scholarship Fund should be better promoted since they offer these types of scholarships.

- Companies should create strong internship programs which should reach out to Hispanic students. They should also participate in existing minority internship programs such as Inroads and SEO.
- Community Colleges are overlooked and Companies should have a strategy, especially in the internship area to reach out to Community Colleges.
- Latinos represent a large student population at community colleges. They attend not because they were unable to get into the four-year universities but because they were not sure what they wanted to study, did not want to move away from home or because they could not financially afford to attend. At this stage in their studies they can be highly influenced to study accounting.
- The AICPA and the CPA firms must do a better job of promoting the profession. Accounting can be challenging, exciting and financially rewarding. More students need to hear that story.
- Successful professionals especially Latinos need to participate more in the high school and higher education programs so that they can be seen as role models and mentors.
- Hispanic Serving Institutions (HSI) should be target schools for employment.
- The Hispanic Association of Colleges and Universities (HACU) should be supported by companies because of their concentration in Hispanic students.

Development and Retention of Latinos

The Issues:

- The retention rate for Latinos is low.
- The competition for talented Hispanic professionals is high therefore turnover is high.
- Retention is even more difficult at the manager to partner level.
- Diversity Training needs improvement and perhaps refocus.

The Solutions:

- Many companies have developed diversity training programs in order to address the retention issues. However, not all the programs are effective. Diversity programs are effective when training is voluntary, the focus is on structural

change, such as increased mentoring and rotational programs that give people a shot at high level assignments and exposure, the motivation for participation in the diversity initiatives are business related and when companies set diversity goals and the executives are held responsible for attaining those goals. Many programs today still focus on mandatory training that is focused on the risks of not having diversity such as law suits and discrimination. Some programs involve a few brief training programs rather than focus on changing the culture of an organization. Latinos need to feel that the work environment is culturally friendly and that companies offer support systems and opportunities for advancement.

- Organizations like ALPFA (The Association of Latino Professionals in Finance and Accounting) should be supported since they are helping professionals to increase their business skills and are teaching them to become leaders. ALPFA also can be used as a support system for Hispanic employees and Hispanic Employee Networks.
- The Accounting Profession must evaluate their structure, their compensation levels and their appeal for talented professionals as they compete with other professions for a small group of Latinos.

Conclusion

The importance of hiring and retaining Latinos, African Americans, Asian Americans and other ethnic groups must come from the top levels of an organization—*it cannot be delegated*. Role models and mentors cannot be delegated. Latinos are normally very loyal employees if they can see a high importance within their companies for their individual success and advancement.

It is well known that a diverse group of individuals is very valuable because of their diverse backgrounds, their diversity of ideas and the diversity of skills. The Accounting profession must create working environments where differences are respected and promoted.

We've made some progress but more much remains to be done. Only if companies enhance their recruitment, development and retention programs will the statistics relating to Latinos and all other minority groups in America improve.

Small CPA firms face more challenges in auditing public companies. Let me speak from personal experience.

The recruitment of qualified employees is very difficult for CPA small firms. I had to resort to the H1-B program to fill some of our needs for qualified employees.

Like most small CPA firms, I do not have a training department. I rely on outside resources like qualified CPAs, the California Education Foundation and the American Institute of CPAs for continuing professional education.

Like most small CPA firms auditing publicly traded companies, we had to provide educational guidance for the non-accelerated filers in complying with Section 404 of the Sarbanes Oxley Act. Our continuing professional education and membership in the BDO Seidman Alliance allows us to maintain our skills in auditing publicly traded companies.

We also have to continuously caution our audit clients that there are instances that we are not permitted to provide certain services. It does not help that independence issues under government auditing standards can be totally different under PCAOB audit standards.

In conclusion, our clients will not judge us as minority auditors or women auditors but simply whether we were able to deliver superior customer service. Some clients will be able to tolerate competent technical service but unless we act proactively, such clients will seek superior customer service.

Mr. Chairmen and Committee Members, thank you again for the opportunity to appear before you today and to testify regarding minorities and the human capital issues facing the accounting profession.